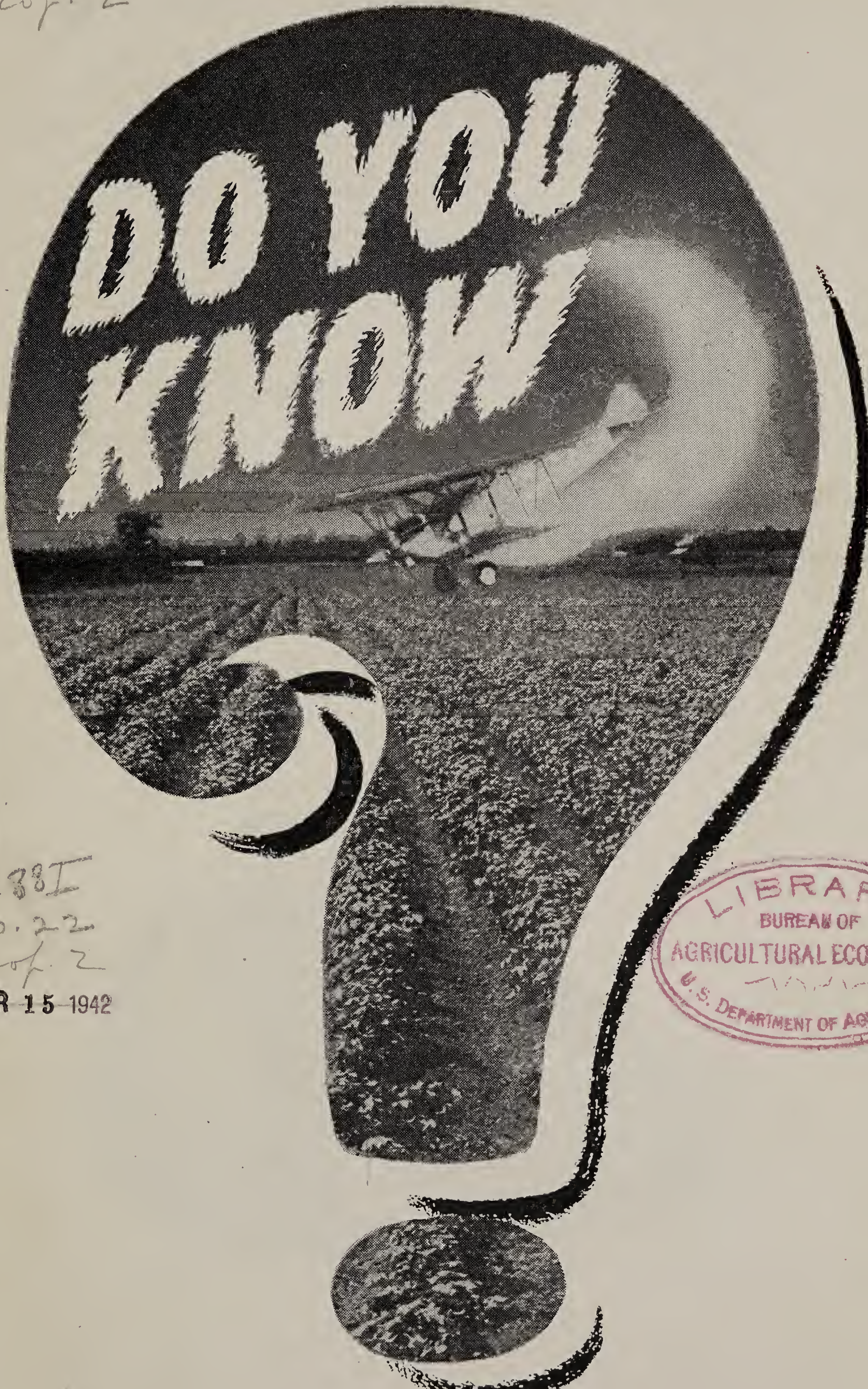

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1 What is cotton crop insurance?

It is protection against loss from all unavoidable hazards in that the insured grower will be paid in cotton or the cash equivalent price per pound for that part of his crop loss covered by insurance.

2 Who writes this insurance?

The Federal Crop Insurance Corporation, an agency of the United States Department of Agriculture, through the field organization of the Agricultural Adjustment Administration.

3 Where can crop insurance be obtained?

From the local AAA committee.

4 What crops are insured by the Federal Crop Insurance Corporation?

Cotton and wheat.

5 What are unavoidable hazards?

All hazards over which the grower has no control. These include drought, insects, plant disease, flood, wind, storm, hail, frost, fire.

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6 Will all-risk insurance cover any losses not due to unavoidable hazards?

No. Indemnities will not be paid growers when crop losses result from defective or poor seed; failure to properly care for the crop or pick it; damage to quality; loss by theft; failure to replant when it is customary to do so; and failure to irrigate when insurance is written on an irrigated basis.

7 Can all varieties of cotton be insured?

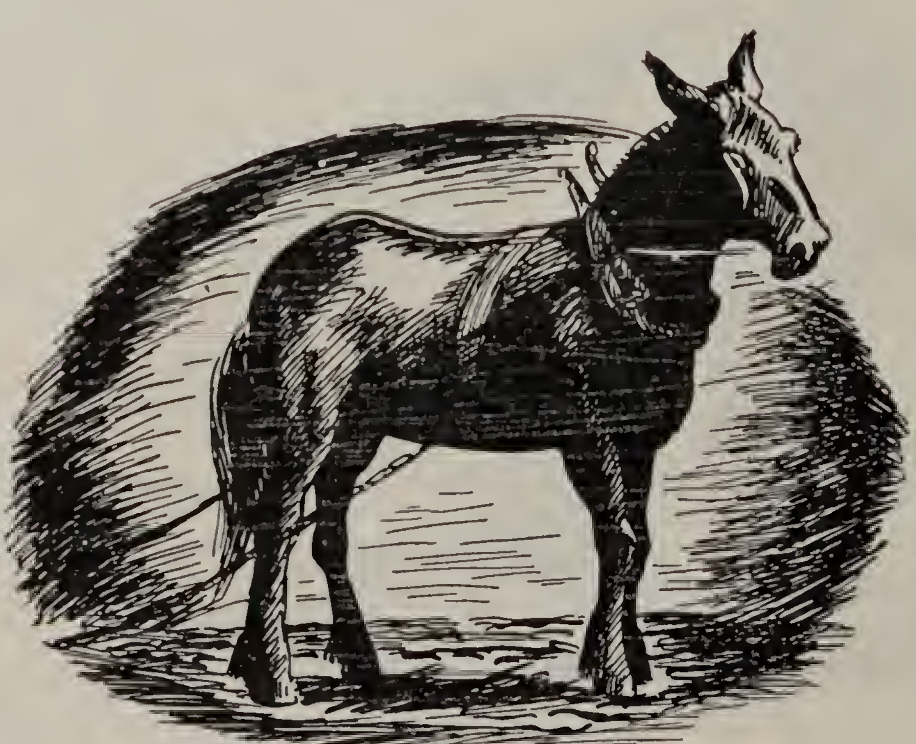
Insurance shall apply to all varieties of American Upland, and America Egyptian cotton when yields and rates have been approved by the Corporation, but will not apply to any cotton grown primarily for experimental purposes.

8 Can cottonseed production be insured?

Yes. Loss of cottonseed will be covered by increasing the amount of any lint cotton loss by 19 percent.

9 Does crop insurance protect a grower against loss in price?

No. Crop insurance guarantees yield only, not price.



10 **Must a grower insure every year?**

Crop insurance is entirely voluntary on the 1942 crop. However, to get the maximum protection from insurance, a grower should take out crop insurance every year.

11 **When must a grower apply for insurance?**

Before starting to plant or on or before the final date established for the county by the Federal Crop Insurance Corporation, whichever is earlier.

12 **When is the insurance in effect?**

It goes into effect when the crop is planted after the grower signs his application.

13 **How long is the 1942 insurance contract in effect?**

Until January 21, 1943, unless the period is extended in writing by the Corporation.

14 **Can a grower insure part of his cotton acreage?**

A grower must insure all of his cotton acreage in the same county

15 What does the term "insurance unit" mean?

An "insurance unit" is all the acreage on a farm in which the insured has an interest at the beginning of planting and at the beginning of harvest, except for special cases.

16 On what is the amount of lint cotton insurance per acre based?

It is based on the production record for the farm or other insurance unit over a representative period of years. If such record is not available, it is appraised. Coverage may be either 75 or 50 percent of the average yield.

17 On what is the premium based?

The premium is based in part on the cotton crop-loss experience for the farm or other insurance unit and in part on the cotton crop-loss experience for the county. If adequate records for the farm are not available, it is appraised.

18 Can a grower ask for an adjustment in his lint cotton insurance per acre, his premium rate, or both?

Yes. If he thinks a mistake has been made, he can appeal to his county AAA committee within 15 days from the receipt of notification of his lint insurance per acre and rate.

19 **How are premiums paid?**

By signing and paying a commodity note.

20 **What is a commodity note?**

It is an agreement to pay the Corporation the amount of the premium either in cotton or in the cash equivalent of the cotton.

21 **What is the maturity date of such a note?**

That will vary from State to State. These notes will be due about cotton-picking time in various localities, the day when settlement of an indemnity is figured, or the day an application for a loan on the indemnity cotton is made.

22 **Will the insurance be canceled if payment is not made when the note matures?**

No. The note provides that where premiums are not paid when due, the insured grower allows the Corporation to deduct the cash amount of the premium (1) from his indemnity, if any, on the basis of the established commodity price the day the note comes due; (2) from the first farm program payment due him; or (3) from the proceeds of any commodity loan made under a program administered by the Secretary.

23 Can payment after maturity be made in terms of the commodity itself?

No. If payment is made on or before maturity, it can be made in cotton or the cash equivalent price per pound. If payment is made after the note falls due, payment must be made on the basis of the cash equivalent price per pound.

24 What is the cash-equivalent price per pound?

It is the net price per pound of lint cotton established by the Corporation for the area in which the insurance unit is located, on the basis of the price of lint cotton at the applicable spot market.

25 What is a spot market?

It is any cotton market used by the Corporation in establishing the cash-equivalent price per pound.

26 Who decides the amount of crop loss on an insured farm?

Adjusters, appointed by the county AAA committee, who work with the grower in arriving at a settlement. This determination is subject to the approval of the Corporation.

27 **On what basis are premiums and indemnities figured?**

They are figured in terms of pounds of lint cotton of the grade and staple length specified by the insured within limitations set by the Corporation.

28 **How are indemnities paid?**

With a certificate of indemnity.

29 **What is a certificate of indemnity?**

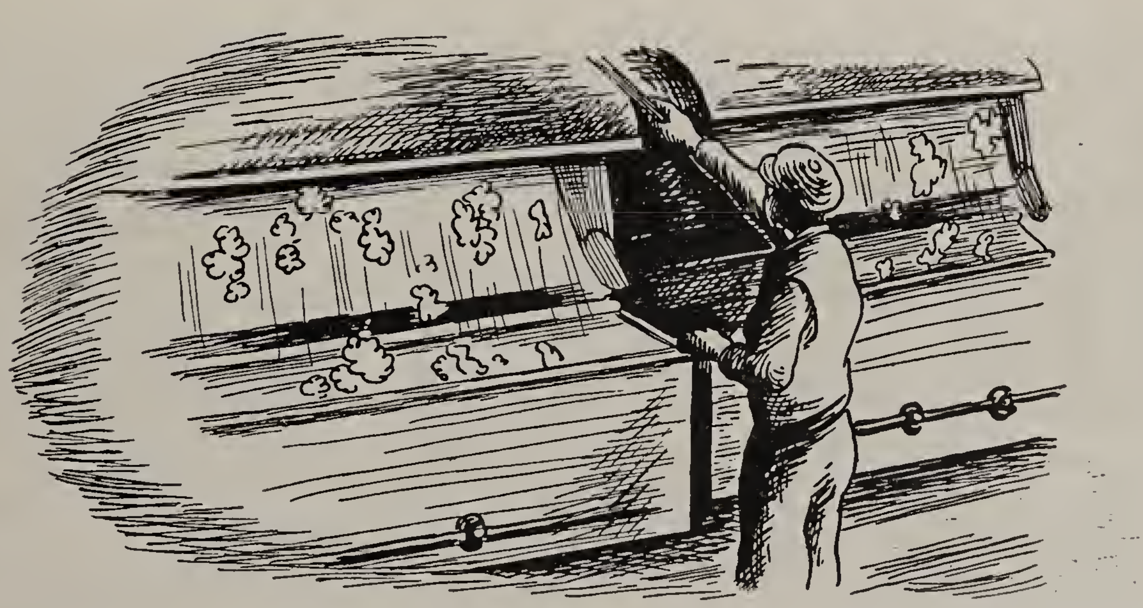
It is a written order issued by the Corporation. This may be used to obtain the cash-equivalent price per pound of the indemnity from the Corporation or to obtain a commodity loan, if loans are made available by the Commodity Credit Corporation.

30 **How can this certificate be converted into cash?**

By sending it to the Federal Crop Insurance Corporation and receiving a check in return.

31 **How does a farmer get a loan on his indemnity cotton?**

If available from the Commodity Credit Corporation, loans on a certificate of indemnity may be obtained in accordance with instructions issued by the Commodity Credit Corporation.



32 If a grower has insurance on more than one insurance unit, does he get a separate loss adjustment for each?

Yes.

33 If a landlord, tenant, or sharecropper insures his portion of the crop, must the other also insure?

No. Each person may insure his interest in the crop.

34 What is done with premiums paid the Corporation?

They are used to purchase cotton which is stored by the Corporation for use in paying indemnities when crop losses occur.

35 Can this cotton be used in any other way?

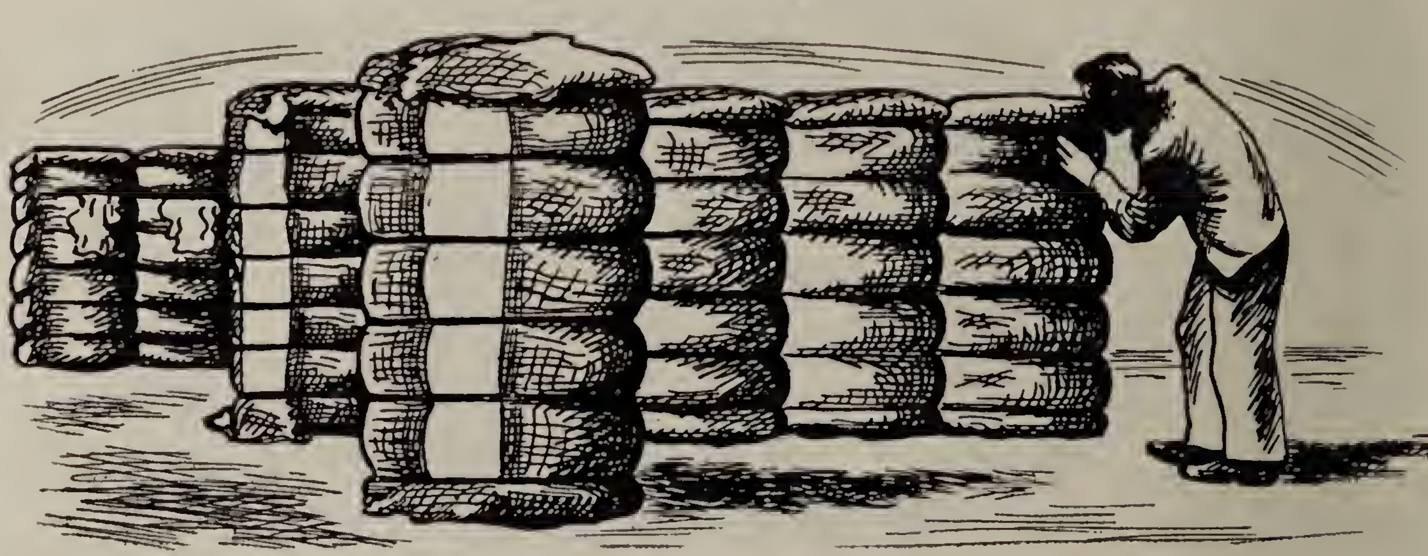
No. It can only be used to pay indemnities.

36 Can a farmer sell his insured cotton crop before picking?

Yes.

37 Can a grower borrow money on his crop insurance contract?

The contract can be assigned as collateral for current loans, for advances to grow a crop, or to make certain payments due under existing agreements.



38 If premium collections are less than indemnities, how can the Corporation pay all indemnities?

The Federal Government authorized a capital stock of $100,000,000 for the Federal Crop Insurance Corporation when the wheat crop insurance program started. This capital can be used when necessary to pay excess cotton and wheat losses. It is anticipated that such payments out of the capital stock will be replaced in those years in which the premium collections are more than the indemnity payments. Administrative costs of cotton crop insurance are paid by the Federal Government.

The FEDERAL CROP INSURANCE CORPORATION

AGRICULTURAL ADJUSTMENT ADMINISTRATION

UNITED STATES DEPARTMENT OF AGRICULTURE

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